

September 25, 2020

To All Concerned Parties

Name of REIT Issuer:

Invincible Investment Corporation
Naoki Fukuda, Executive Director
(Securities Code: 8963)

Asset Manager:

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Performance Update for August 2020

Invincible Investment Corporation (“INV”) hereby announces its monthly performance.

1. Overall Performance of the Entire Portfolio

As announced in “Notice concerning Conclusion of Memorandum of Understanding to Amend the Fixed-term Building Lease and Property Management Agreement pertaining to the rent conditions for the period from July to September, 2020 with Major Tenant” dated September 11, 2020, INV entered into a Memorandum of Understanding (“MOU”) to amend each fixed-term building lease and property management agreement pertaining to the rent conditions for the period from July 1, 2020 to September 30, 2020 for domestic hotels owned by INV with INV's main tenant, MyStays Hotel Management Co., Ltd. (“MHM”) and its affiliates (“MHM Group”), who operate the hotels. Under the MOU, we have partially changed the rent payment conditions for the three months and changed the fixed rent payment amount and the variable rent calculation method. For details on the MOU, please refer to the above press release.

As for the 73 hotels that are operated by MHM Group, the amount of the employment adjustment subsidy for August 2020 has not been determined as of today. As a result, GOP¹ and NOI^{2,3} for August 2020 have not been determined yet.

The following are the details by segment.

2. Hotel Assets Overview

(1) Domestic Hotels

The domestic hotel portfolio⁴ performance for the month of August 2020 has shown year-

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over-year declines in Occupancy of 48.3pt, ADR of 27.2%, and RevPAR of 65.8%. The NOI³ for August 2020 is TBD as explained above.

The weak domestic hotel demand for August 2020 stems primarily from the pronounced impact of the COVID-19 pandemic that has caused a significant reduction in demand for hotels due to the sharp decline in domestic and global travel. The constant news flow and government warnings have contributed to a shift in mindset to refrain from business trips and leisure travel. JNTO reported that inbound visitors declined by 99.7% in August (year-over-year).

In response to the significant reduction in hotel demand due to the COVID-19 pandemic, MHM is taking steps to reduce hotel operating expenses by reviewing its operational strategy. Specific measures include the suspension of non-essential capital expenditures, receiving government subsidies, cutting payments to service providers such as cleaning vendors, significantly reducing marketing expenses, and a reduction in utility usage. MHM is focusing on creating new demand, including the provision of day-use telework environments to provide individuals and corporates with a comfortable telework space as well as accommodation demand associated with the 14-day voluntary quarantine period after returning to Japan. In addition, MHM is focusing on capturing the gradual recovery in domestic leisure and business demand, as well as implementing strict measures to prevent the spread of COVID-19 such as sanitizing and ventilating guest rooms, reception desks, restaurants, and other common areas. As a result of these efforts, the total GOP¹ of 73 properties operated by the MHM Group has been in the black since June 2020.

As for the temporary closure status of domestic hotels owned by INV, all hotels except one have reopened as described in Appendix 1. APA Hotel Yokohama-Kannai has been used as an accommodation and medical facility for people with mild COVID-19 cases since August 4.

Although State of Emergency declarations issued by various prefectures were gradually lifted and some progress has been seen in measures against the spread of COVID-19, there is no certainty around the timing of the eradication of the new coronavirus at this stage. The Japanese government is taking proactive measures in the fight against COVID-19 and announced in August 2020 the aim to procure enough vaccines for everyone in Japan by the first half of 2021. For the time being, it will take time for hotel operations to recover to pre COVID-19 levels. Therefore, we are forecasting RevPAR in September 2020 to decrease by approximately 60% year-over-year.

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Table below shows the KPIs for each area of the 75 domestic hotels portfolio⁴.

Area	Occupancy Rate ⁵	ADR (JPY) ⁶	RevPAR (JPY) ⁷
Tokyo 23 Wards	29.5%	5,301	1,563
Greater Tokyo (ex. Tokyo 23 Wards)	59.7%	9,952	5,941
Chubu	43.3%	7,076	3,064
Kansai	26.2%	4,477	1,174
Kyushu	42.8%	7,956	3,404
Hokkaido	45.3%	8,596	3,891
Other domestic	64.6%	21,782	14,079
Total	43.0%	9,247	3,972

(2) Cayman Hotels

In reaction to the closure of the Owen Roberts International Airport in Grand Cayman by the Cayman Islands government, the Cayman Hotels have been closed since late March and are expected to reopen on November 1, 2020 at the earliest, while two restaurants reopened to serve local customers from June 19.

The NOI³ for August 2020 and the NOI³ on a cumulative basis for the December 2020 fiscal period (July to December) decreased significantly.

3. Residential Assets Overview

The residential portfolio⁸ in-place occupancy rate as of the end of August 2020 was 94.4%, a year-over-year decrease of 2.1pt. The rent increase program continues to show positive results as the average in-place rent per tsubo as of the end of August 2020 increased by 1.2% year-over-year. NOI⁹ for the residential portfolio in August 2020 increased by 0.3% year-over-year and increased by 0.4% year-over-year on a cumulative basis for the December 2020 fiscal period (July to December).

Rents, compared with those based on the immediately preceding leases, increased by 0.9% for new leases, 1.0% for renewal leases, and 1.0% for new and renewal leases combined for the December 2020 fiscal period. INV achieved a rent increase on 33.1% of lease contract renewals for the December 2020 fiscal period. The retention rate for the existing tenants continues to be high at 85.2% for the December 2020 fiscal period.

4. Performance

(1) 75 Domestic Hotel Properties⁴

	August 2020 (A)	August 2019 (B)	(A-B)	YoY Change	Cumulative (Jul.-Dec.)			
					2020 (C)	2019 (D)	(C-D)	YoY Change
Occupancy Rate ⁵	43.0%	91.3%	-48.3pt	-52.9%	41.8%	90.7%	-49.0pt	-54.0%
ADR (JPY) ⁶	9,247	12,708	-3,461	-27.2%	8,122	11,773	-3,650	-31.0%
RevPAR (JPY) ⁷	3,972	11,597	-7,625	-65.8%	3,392	10,682	-7,290	-68.2%
Gross Revenue (JPY million) ¹⁰	2,713	7,142	-4,429	-62.0%	4,652	13,340	-8,687	-65.1%

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(2) Cayman Hotels

	August 2020 (A)	August 2019 (B)	(A-B)	YoY Change	Cumulative (Jul.-Dec.)			
					2020 (C)	2019 (D)	(C-D)	YoY Change
Occupancy Rate ⁵	0.0%	73.5%	-73.5pt	-100.0%	0.0%	80.2%	-80.2pt	-100.0%
ADR (USD) ⁶	0	252	-252	-100.0%	0	280	-280	-100.0%
RevPAR (USD) ⁷	-0	185	-	-	0	225	-225	-100.0%
Gross Revenue (USD thousand)	158	5,176	-5,017	-96.9%	370	12,366	-11,995	-97.0%

(3) 60 Residential Properties⁸

	August 2020 (A)	August 2019 (B)	(A-B)	YoY Change	Cumulative (Jul.-Dec.)			
					2020 (C)	2019 (D)	(C-D)	YoY Change
Occupancy Rate	94.4%	96.5%	-2.1pt	-2.2%	94.7%	96.4%	-1.7pt	-1.7%
Rent per Tsubo (JPY)	9,173	9,063	+110	+1.2%	9,149	9,073	+76	+0.8%

5. Portfolio NOI

	2019 Simulated NOI ¹¹		NOI ^{2,3} (JPY million)					
	(JPY million)	Ratio	August			Cumulative (Jul.-Dec.)		
			2020	2019	YoY Change	2020	2019	YoY Change
Tokyo 23 Wards	5,980	19.4%	-	-	-	-	-	-
Greater Tokyo (ex. Tokyo 23 Wards)	4,094	13.3%	-	-	-	-	-	-
Greater Tokyo – Subtotal	10,075	32.7%	-	-	-	-	-	-
Chubu	2,791	9.1%	-	-	-	-	-	-
Kansai	1,775	5.8%	-	-	-	-	-	-
Kyushu	2,315	7.5%	-	-	-	-	-	-
Hokkaido	3,442	11.2%	-	-	-	-	-	-
Other domestic	2,700	8.8%	-	-	-	-	-	-
Domestic Hotel – Subtotal	23,100	75.0%	-	-	-	-	-	-
Residential	3,281	10.6%	274	273	+0.3%	548	546	+0.4%
Commercial	368	1.2%	30	31	-2.2%	61	62	-1.1%
Domestic Asset – Subtotal	26,750	86.8%	-	-	-	-	-	-
Overseas	4,070	13.2%	-148	145	-	-286	446	-
Total	30,820	100.0%	-	-	-	-	-	-

(Note 1) GOP means the gross operating profit, and is the amount remaining after deducting costs of hotel operations (the personnel, utility and advertising expenses and other expenses) and the management services fee to operators (if any) from the hotel's revenues.

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- (Note 2) Based on all properties held as of the end of August 2020, excluding 9 hotels with fixed-rent lease agreements. 9 hotels with fixed-rent lease agreements are D29 Super Hotel Shinbashi/ Karasumoriguchi, D33 Comfort Hotel Toyama, D36 Super Hotel Tokyo-JR Tachikawa Kitaguchi, D37 Super Hotel JR Ueno-iriyaguchi, D39 Comfort Hotel Kurosaki, D40 Comfort Hotel Maebashi, D41 Comfort Hotel Tsubame-Sanjo, D42 Comfort Hotel Kitami, and D48 Takamatsu Tokyu REI Hotel. NOI includes a simulated amount of dividend income from Kingdom TMK (the "TMK") that owns Sheraton Grande Tokyo Bay Hotel as an underlying asset. The fiscal periods of the TMK are semi-annual periods from April 1 to September 30 and from October 1 to March 31 every year, and INV will receive the dividend within three months from the end of each semi-annual fiscal period of the TMK. Since INV does not receive a dividend from the TMK on a monthly basis, the amount of dividend INV receives from the TMK for each month is a simulated figure, which is calculated by deducting (i) simulated expenses such as operating expense of the TMK and the interest of debt (calculated dividing the budget of the TMK for the fiscal period that includes the relevant month by the number of months in such fiscal period) from (ii) NOI based on the performance of Sheraton Grande Tokyo Bay Hotel in the month which is three months before the target month for this performance disclosure and multiplied by INV's ownership ratio of the preferred equity interest in the TMK (49.0%). The revenue from the Cayman Hotels is calculated at the exchange rate of US\$1 to ¥110. Furthermore, NOI is provisional figure and subject to change when it is determined at financial closing; hereinafter the same.
- (Note 3) NOI figures before acquisition by INV is based on the data obtained from third-parties including previous owners, and are subject to change caused by the adjustments based on differences in accounting treatments, since it is difficult to adjust them due to the timing even if the figures are based on actual performance; hereinafter the same.
- (Note 4) Based on 75 hotel properties; of the 84 domestic hotel properties (including Sheraton Grande Tokyo Bay Hotel, the underlying asset of preferred equity interest held by INV) held as of the end of August 2020, 9 hotels with fixed-rent lease agreements are excluded. As for Sheraton Grande Tokyo Bay hotel, NOI is based on the figure for the month which is three months prior to the target month for this performance disclosure as INV will receive the dividend from the TMK within three months of each fiscal period end for the TMK as described above. However, in consideration of seasonality, figures other than NOI in the table above are based on the figures for August 2020; hereinafter the same.
- (Note 5) "Occupancy Rate" for hotel portfolio is calculated using the following formula:
room occupancy rate = total number of rooms occupied during the relevant period ÷ (aggregate number of rooms during the relevant period x number of business days during target period)
- (Note 6) "ADR," or Average Daily Rate, is the value of the total room sales for a certain period (excluding service fees) divided by the total number of sold rooms for the same period.
- (Note 7) "RevPAR," or Revenues Per Available Room, is calculated by dividing the total room sales for a certain period by the aggregate number of rooms for the same period (rooms x number of days), and is the same as product of room occupancy rate and ADR. However, RevPAR for Cayman Hotels in August was negative because of a reversal of account of room sales to refund payments to guests and other factors caused by the closure of the hotels.
- (Note 8) Based on 60 properties held by INV as of the end of August 2020.
- (Note 9) NOI excludes one-off insurance-related revenues and expenses.
- (Note 10) Gross Revenue of Sheraton Grande Tokyo Bay Hotel used in the table is the whole gross revenue of such hotel, regardless of INV's ownership ratio of the preferred equity interest in the TMK (49.0%).
- (Note 11) Based on 148 properties owned by INV as of the end of August 2020, assuming all properties were owned since the beginning of 2019. Includes the dividend from preferred equity interest of TMK that owns Sheraton Grande Tokyo Bay Hotel, assuming this dividend contributed throughout the June 2019 fiscal period and the December 2019 fiscal period of INV. The revenue from the Cayman Hotels is calculated at the exchange rate of US\$1 to ¥110.
- (Note 12) Percentages are rounded to one decimal place. ADR, RevPAR and Rent per Tsubo are rounded to the nearest yen and Gross Revenue is rounded down to the nearest million yen.
- (Note 13) Cumulative occupancy rate for residential portfolio is calculated by dividing the sum of total leased area by the sum of total leasable area at the end of each month and the percentages are rounded to one decimal place. Cumulative rent per tsubo is calculated by dividing the sum of the total rental revenue including common area charges for each month by the sum of total leased area (tsubo) at the end of each month.
- (Note 14) For the details of performance for each hotel asset, please visit INV's website:
<https://www.invincible-inv.co.jp/en/portfolio/hotel.html>

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(Appendix 1)

<Temporary Closure Status of Hotels Owned by INV>

Property Number	Property Name	Location	Closed Date	End Date of Closing Period	Hotel That Consolidates Operations During Close
D79	MyCUBE by MYSTAYS Asakusa Kuramae	Taito-ku, Tokyo	March 8	September 30 (Planned)	-
D200	Westin Grand Cayman Seven Mile Beach Resort & Spa	Cayman Islands	March 22	October 31 (Planned)	
D201	Sunshine Suites Resort	Cayman Islands	March 22	October 31 (Planned)	
D3	Hotel MyStays Kyoto-Shijo	Kyoto-shi, Kyoto	May 1	June 30	
D44	Hotel Epinard Nasu	Nasu-gun, Tochigi	April 28	May 31	
D48	Takamatsu Tokyu REI Hotel	Takamatsu-shi, Kagawa	April 25	May 31	
D53	Hotel MyStays Sapporo Station	Sapporo-shi, Hokkaido	March 18	July 17	Hotel MyStays Sapporo Aspen
D65	Art Hotel Ishigakijima	Ishigaki-shi, Okinawa	April 20	May 31	-
D66	Hotel MyStays Fuji Onsen Resort	Fujiyoshida-shi, Yamanashi	May 1	June 11	
D68	Hotel MyStays Kanazawa Castle	Kanazawa-shi, Ishikawa	April 13	June 30	Hotel MyStays Premier Kanazawa
D71	Hotel Nord Otaru	Otaru-shi, Hokkaido	March 18	June 30	Hotel Sonia Otaru
D75	Hotel MyStays Sapporo Susukino	Sapporo-shi, Hokkaido	March 18	July 17	Hotel MyStays Premier Sapporo Park
D76	Hotel Mystays Sapporo Nakajima Park	Sapporo-shi, Hokkaido	March 18	July 17	
D77	Hotel MyStays Sapporo Nakajima Park Annex	Sapporo-shi, Hokkaido	March 6	July 17	
-	Sheraton Grande Tokyo Bay Hotel	Urayasu-shi, Chiba	April 28	June 29	-

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